

Message Text

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11

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-11 LAB-06

NSAE-00 RSC-01 SIL-01 PA-04 PRS-01 USIA-15 L-03 FSE-00

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0436

INFO AMCONSUL OPORTO

UNCLAS LISBON 3804

E.O. 11652: N/A

TAGS: ELAB PO

SUBJ: GOVERNMENT ENDS SALARY FREEZE

REF: LISBON 2148

1. THE COUNCIL OF MINISTERS HAS VOTED TO END THE FREEZE ON SALARIES OF 7500 ESCUDOS (\$300) PER MONTH OR ABOVE WHICH WAS ESTABLISHED AT THE END OF MAY (REFTEL). AT THE SAME TIME, A PART OF SALARY INCREASES AT CERTAIN LEVELS WILL HAVE TO BE PAID IN SAVINGS BONDS NOT REDEEMABLE FOR FIVE YEARS.

2. UNDER THE NEW REGULATIONS, TO REMAIN IN EFFECT AT LEAST UNTIL MARCH 31, 1975, ANY INCREASE IN THOSE SALARIES WHICH ARE LESS THAN 9000 ESCUDOS (\$360) WILL NOT REQUIRE ANY PART-PAYMENT IN SAVINGS BONDS UNLESS THE INCREASE RAISES THE SALARY ABOVE 9900 ESCUDUS (\$396). INCREASES IN SALARIES OF BETWEEN 9000 AND 20,000 ESCUDOS (\$360-800) A MONTH WILL ALSO NOT BE SUBJECT TO PAYMENT IN SAVINGS BONDS UNLESS THE INCREASE EXCEEDS 10 PERCENT. ONE-HALF OF ANY SUCH EXCESS WILL BE PAID IN SAVINGS BONDS, AS WILL BE ONE-HALF OF ANY INCREASE FOR SALARIES ABOVE 20,000 ESCUDOS.

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3. THE BONDS CANNOT BE SOLD OR REDEEMED FOR FIVE

YEARS. INTEREST ONLY PAID AT TIME OF
REDEMPTION, WILL INCREASE IN 0.25 PERCENT INCREMENTS FROM
8.5 PERCENT IN THE FIRST YEAR TO 9.5 PERCENT IN THE FIFTH.

4. THE MINISTER OF FINANCE EMPHASIZED THAT THIS COMBINATION
OF UNFREEZING AND FORCED SAVING HAS BEEN ADOPTED TO
INCREASE SAVINGS WHILE DAMPENING CONSUMPTION OF LESS
ESSENTIAL GOODS, MAKING AVAILABLE FUNDS FOR
PROJECTED GOVERNMENT INVESTMENT WITHOUT ADDING TO
INFLATION. IT IS ALSO OBVIOUSLY AIMED AT
AMELORATING THE SITUATION OF MIDDLE WAGE
EARNERS, HARD HIT BY RECENT PRICE INCREASES.
SCOTT

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